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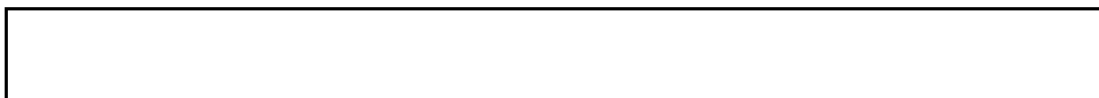
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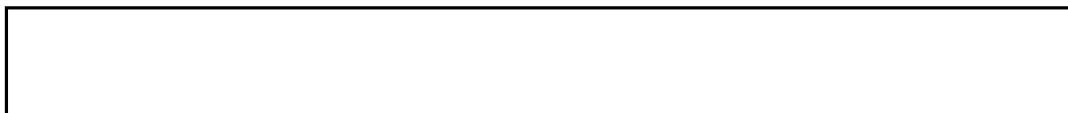
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Spain Reacts to Portuguese Election

The Spanish government has been very circumspect in commenting on the election in Portugal, but the Spanish media and politicians have played up the defeat of the dual myths of "Communist strength" and the "immaturity of the people."

Political commentators and opposition politicians in Spain are using the outcome to argue that if "underdeveloped Portugal" can have a non-violent, honest election that resulted in a non-extremist majority, then no one should fear free elections in Spain. Opponents of the Franco regime reportedly plan to use the election as another argument to encourage the government to do more to implement Prime Minister Arias' modest liberalization program.

Political observers note that even though the Spanish government appears relieved by the strong showing of the Portuguese moderates, Madrid remains suspicious of Lisbon's policies and will not let the favorable election results influence its own domestic liberalization plans very much.

A high Spanish Foreign Ministry official told a US embassy officer that the election outcome would permit consideration of a number of Spanish-Portuguese issues which had been held up pending the election. The source thought a meeting of the two foreign ministers might be held in June. A stumbling block could develop, however, over Lisbon's accusations that Spain is harboring a pro-Spinola Portuguese Liberation Army.

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Soares Challenges Armed Forces Movement,  
Communists

The head of the Portuguese Socialist Party, Mario Soares, appears to have taken a first step toward a post-election challenge of the ruling Armed Forces Movement and the influential Portuguese Communist Party.

In an interview with a Lisbon newspaper on Monday, Soares, whose party captured 38 percent of the vote compared to 13 percent for the Communists, described the election last Friday as an "immense defeat" for the Moscow-backed party. He said the Communist Party had shown that it lacked popular support on both the national and local levels.

Soares derided the Communists for obtaining such a small vote after a well-financed campaign in which they had "ten times more posters" than the Socialists. He implied that the Communists had exploited key positions in the government and the media to advance the party's campaign. Noting the Socialists' impressive strength among the working class, the Socialist leader chided the Communists for failing to gain as high a percentage of the vote as their counterparts in France and Italy.

Soares indirectly criticized the Movement by calling for prudence in Portugal's progress toward socialism. He warned against efforts to develop a brand of socialism that would isolate the country internationally. Such a policy, he said, would reduce Portugal

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to "a type of Albania," with no immediate prospect of improving the people's living standards.

Soares called for municipal elections to replace local leftist officials who seized office after the coup last April. The Movement has ignored all appeals by the moderate parties that these posts should be filled through free elections.

Soares' remarks are a departure from the conciliatory stand he adopted immediately after the election, when he publicly stated that the Socialists would not seek government changes and would continue to support military control of the government.

His apparent shift in tactics may be a reaction to repeated efforts of both Movement spokesmen and the Communists to depict the moderates' impressive showing in the election as a victory for all parties on the left and an endorsement of present Movement policies.

Soares may also have been influenced by the runner-up Popular Democratic Party, which has criticized attempts by the Communists and the media to play down or distort the significance of the election results. The Popular Democrats maintain that the Portuguese voters have made a clear choice for a democratic form of socialism.

The Socialists face an uphill task in trying to translate their election victory into practical power. On the one hand, they want to make common cause with moderate officers in the Armed Forces Movement to reduce Communist and radical influence in

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the government. On the other hand, the Socialists want to avoid alienating the still-dominant radical movement officers who may believe that the Socialists are pushing too hard.

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Inflationary Wage Agreement Reached in Sweden

Labor and management bargainers signed a two-year wage agreement for blue-collar workers on April 26 that is expected to hike labor costs by about 25 percent.

Neither side is jubilant over the settlement. Employer representatives complain that the pact will cost industry 18-20 percent more in 1975, making Swedish products much less competitive in foreign markets. Labor spokesmen concede that workers will likely realize no more than a 3 percent real wage gain, and the pro-labor Dagens Nyheter admitted that the agreement is "probably the most inflationary ever."

The new pact will give some 800,000 workers in private industry raises of 10.8 percent in 1975 and 6.8 percent in 1976. In addition, employers are expected to continue their traditional practice of granting small, voluntary increases of 6 to 10 percent. Because the government agreed to reduce income taxes by 17 percent, the average worker will get a nominal raise totalling about 40 percent.

Reached under strong government pressure, the agreement continues the Swedish government's almost unblemished record of not blocking inflationary wage pacts. The government was able, however, to buy a new pledge from the labor unions not to strike, and there is now the prospect of settling some other pending wage negotiations.

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